

14 June 1960

~~SECRET~~

R.Rm

2498

NATIONAL INTELLIGENCE ESTIMATE

NUMBER 85-2-60

THE SITUATION IN CUBA

Submitted by the
DIRECTOR OF CENTRAL INTELLIGENCE

The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.

Concurred in by the
UNITED STATES INTELLIGENCE BOARD

on 14 June 1960. Concurring were the Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations for Intelligence, Department of the Navy; the Assistant Chief of Staff, Intelligence, USAP; the Director for Intelligence, The Joint Staff; the Assistant to the Secretary of Defense, Special Operations; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

Approved for Release
Date 1 OCT 1983

~~SECRET~~

Nº 356

CENTRAL INTELLIGENCE AGENCY

DISSEMINATION NOTICE

1. This estimate was disseminated by the Central Intelligence Agency. This copy is for the information and use of the recipient and of persons under his jurisdiction on a need to know basis. Additional essential dissemination may be authorized by the following officials within their respective departments.

- a. Director of Intelligence and Research, for the Department of State
- b. Assistant Chief of Staff for Intelligence, Department of the Army
- c. Assistant Chief of Naval Operations for Intelligence, for the Department of the Navy
- d. Director of Intelligence, USAF, for the Department of the Air Force
- e. Director for Intelligence, Joint Staff, for the Joint Staff
- f. Director of Intelligence, AEC, for the Atomic Energy Commission
- g. Assistant Director, FBI, for the Federal Bureau of Investigation
- h. Assistant to the Secretary of Defense, Special Operations, for the Department of Defense
- i. Director of NSA for the National Security Agency
- j. Assistant Director for Central Reference, CIA, for any other Department or Agency

2. This copy may be retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Central Reference, CIA.

3. When an estimate is disseminated overseas, the overseas recipients may retain it for a period not in excess of one year. At the end of this period, the estimate should either be destroyed, returned to the forwarding agency, or permission should be requested of the forwarding agency to retain it in accordance with IAC-D-69/2, 22 June 1953.

4. The title of this estimate when used separately from the text, should be classified:
FOR OFFICIAL USE ONLY

WARNING

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

DISTRIBUTION:

White House
National Security Council
Department of State
Department of Defense
Operations Coordinating Board
Atomic Energy Commission
Federal Bureau of Investigation

TABLE OF CONTENTS

	<i>Page</i>
THE PROBLEM	1
CONCLUSIONS	1
DISCUSSION	3
A. Political Situation	3
<i>Introduction</i>	3
<i>Government Leadership and Communism</i>	3
<i>The National Agrarian Reform Institute</i>	4
<i>The Military</i>	5
<i>Other Areas of Government</i>	5
<i>Propaganda Media</i>	5
<i>Organized Labor</i>	6
<i>Opposition</i>	6
B. The Economy	7
<i>The Present Situation</i>	7
<i>Economic Prospects</i>	8
C. Foreign Policy	9
D. The Outlook	11
<i>The Regime and the Opposition</i>	11
<i>The Communist Role</i>	12
<i>Foreign Relations</i>	12

THE SITUATION IN CUBA

THE PROBLEM

To estimate likely developments in the Cuban situation over the next six months, with particular reference to prospects for Communist domination or control of the Castro regime.

CONCLUSIONS

1. Fidel Castro has replaced Batista's military dictatorship with a radical-nationalist one which is deeply and increasingly influenced by Communists. There is no longer any prospect of democratic government under his regime. Castro remains the dominant leader of Cuba, and the revolution continues in large measure to be an expression of his own unruly and messianic personality. (Paras. 10-13)
2. Fidel Castro will almost certainly remain in power through 1960, unless he becomes incapacitated to such an extent as to be unable to exercise personal leadership. The opposition to his regime, though growing, is weak and divided and lacks a dynamic leader. Should Fidel Castro depart the scene, a crisis probably would develop in a short time. Raúl Castro and "Che" Guevara would probably seek to carry on, but disaffected elements would almost certainly make a bid for power and there is a better than even chance that the country would be thrown into a period of widespread disorders and bloodshed. (Paras. 25-27, 47-50)
3. The economic situation, although deteriorating in some sectors, has improved in others, and we do not foresee its causing serious political problems this year. The outlook for private investments remains poor in view of the ever-present threat of expropriation and the increasing degree of state direction of the economy. (Paras. 28-38)
4. We are unable to answer the simplified question "Is Castro himself a Communist?" Communists are deeply involved in the remodeling of Cuba—more so than in Guatemala in 1954—and the country has become a base for communism in Latin America. Clearly Castro regards the Communists as helpful and reliable allies in achieving his objectives; Communists and their supporters are in positions of importance throughout the revolutionary government. Given the mutuality of interest between the Castro regime and the Cuban Communists, it is difficult, and in most respects academic to try, to distinguish the policy and actions of the Castro regime from those which would be expected of a government

under actual Communist control in the present circumstances in Cuba. This situation will almost certainly persist so long as Fidel Castro and his associates remain in power. Indeed, the outlook is for Castro's increased dependence on Communists and they will continue to be able to make many decisions and take many actions without consulting him. If this trend continues, the Communists will gain de facto control of the Castro regime, and are near this point now. (Paras. 9, 14-19, 22-24, 51)

5. For the next six months or so, however, it appears unlikely that the Communists will have the desire to make a bid for overt power or the necessary strength to maintain it. We believe that the Communists will avoid moves which would place Cuba demonstrably under the domination or control of the international Communist movement within the meaning of the Caracas resolution. (Para. 52)

6. Recognition of additional Bloc governments, including Communist China, is likely, and Cuba will probably support the seating of that country in the UN this fall. Bloc aid, probably including the provision of some military equipment, is likely to grow. The Bloc would almost

certainly continue economic aid to Cuba and would probably increase the level of aid if US action, governmental or private, threatened to affect adversely the Cuban economy. (Paras. 38, 40-41, 55-56)

7. We foresee no significant change in Cuban foreign policy over the next six months or so. Castro will almost certainly continue his bitter and vociferous hostility against the US, and accuse both the US Government and US business interests of attempts to destroy the Cuban revolution. Through a series of actions and reactions, this anti-US campaign might come to involve a demand for US withdrawal from Guantanamo, a rupture of diplomatic relations, or danger to the lives of American citizens in Cuba. He will almost certainly continue his extensive propaganda and proselytizing activities in Latin America, seeking thereby to undermine Western Hemisphere solidarity, to reduce US influence in Latin America, and to replace unfriendly governments with ones more closely oriented to his own. He would probably sponsor armed intervention in the event of the fall of the Trujillo regime or other favorable opportunities. Cuba will probably become increasingly isolated and suspect vis-a-vis the other Latin American and most African and Asian governments. (Paras. 39, 42-46, 53-54)

✓ The Director of Intelligence and Research, Department of State would substitute "may be" for "are."

DISCUSSION

A. The Political Situation

8. *Introduction.* The revolutionary movement of Fidel Castro began essentially as an indigenous Cuban effort dedicated almost solely to the overthrow of the Batista dictatorship. As such it had broad popular appeal; it counted heavily on the support of the middle and upper classes who saw in Castro the way to throw off the repression and graft of the Batista regime. Even though Castro's plans for action after victory were not detailed, he appealed to most Cubans as the man who could accomplish long overdue social and economic reforms and a return to constitutional government and free elections. In general he offered a nationalistic program, including land reform, expansion of production, reduction of unemployment, and a better life for the peasant and worker.

9. The Communist party (Popular Socialist Party—PSP), which had cooperated at various times with Batista, jumped on the Castro bandwagon only a few months before the fall of Batista, when Castro's success seemed certain. The Communists saw in the nature and direction of the revolution a promising opportunity to advance their cause. Since then, the Communists have vigorously supported the Castro regime and have been able to exert increasing influence within it and on its policies. At the same time, Castro's moderate supporters are being expelled or are abandoning him, and the regime is drawing its popular support primarily from the peasants and workers.

10. In less than a year and a half Fidel Castro has drastically changed the traditional patterns of life in Cuba. The Batista military dictatorship has been replaced by one built around Castro's own image. Backed by the revolutionary army, a newly organized "people's militia," and the lower income groups, the regime has consolidated its control over the various instruments of political power and influence in Cuba, and has pressed ahead with a revolutionary program of economic and

social change. In addition, the Cuban Government has been transformed from a traditional friend of the US into a center of virulent anti-Americanism and of support for international Communist objectives in Latin America.

11. There is no longer any prospect of democratic government under Castro. He is increasingly unwilling to tolerate any opposition. Violations of human rights are increasing; there are perhaps as many political prisoners in Cuba today as at any time in the past. The press and radio are controlled by the regime with only minor exceptions.

12. *Government Leadership and Communism.* Prime Minister Castro remains the dominant and undisputed leader of Cuba. Although he has lost some popular support in recent months, his appeal to the unorganized masses, particularly the peasants, as the symbol of the revolution is still powerful and unique. No other figure has emerged with the stature to challenge him and none of his associates commands any comparable popular support. The revolution itself continues in large measure to be an expression of Castro's own unruly and messianic personality, deriving its authority from his presence and much of its momentum from his driving sense of personal mission.

(13. Fidel Castro's political ideology is highly eclectic, including a variety of revolutionary concepts. He is giving an overriding priority to social and economic revolution. He stridently asserts Cuban nationalism, particularly through attacks on the US and its alleged domination of Cuba. His program is virtually indistinguishable from what the local Communists openly advocate, and he is regarded by international Communist leaders as an excellent instrument for their purposes.)

14. We are unable to answer the simplified question "Is Castro himself a Communist?" The Communists have apparently been careful to avoid actions which could be used as proof that they were dictating the course of

the revolution. The PSP as a party does not participate openly in the government; its leaders generally remain outside the political spotlight and have taken pains to emphasize their loyalty to Castro. The latter finds it easy and useful to accept the assistance and advice of Communists and regards them as reliable allies in formulating and carrying out the measures required to achieve his revolutionary goals. Indeed, he and the other leaders equate anticommunism with counter-revolution. He has come increasingly to believe that the Communists and their sympathizers represent almost the only group which can be counted on not to desert him as have many of his original associates, and he is probably confident that he can continue to dominate them.

15. The Communists, for their part, seem to find this relationship satisfactory. Fidel Castro's aims and actions, particularly his virulent anti-US attitude, are consistent with their own present objectives. Furthermore, support of Castro gives them the tactical advantage of identifying themselves with an indigenous movement, whose influence and example they can hope to exploit throughout Latin America. Through their assistance to Castro, and with the active cooperation of his most influential advisors, Raúl Castro and "Che" Guevara, they have been able to infiltrate Communists and their supporters into positions of great importance throughout the revolutionary government. Communists are now deeply involved in the remodeling of Cuba—more so than in Guatemala in 1954—and the country has in effect become a base for international communism in Latin America. There is no strong organized anti-Communist group; most Cubans probably do not regard communism as a threat to Castro's revolution.

16. The PSP, with a growing membership, now in excess of 17,000, is the only organized political party active in Cuba.^{*} Fidel Castro's 26th of July Movement, itself Communist-infiltrated, lacks most attributes of an organized party. The Communists have increasingly come to provide for Fidel Castro the type of

vigorous support which other Latin American dictatorships have traditionally obtained from strong military or well-organized personal followings. Given the mutuality of interest between the Castro regime and the Cuban Communists, it is difficult, and in most respects academic to try, to distinguish the policy and actions of the Castro regime from those which would be expected of a government under actual Communist control in the present circumstances in Cuba.

17. While the supporters of the regime probably are for the most part non-Communists dedicated to the revolution, almost all moderates have been purged from top positions in the bureaucracy. The principal agencies of the government are now controlled by extreme leftists, who are also Castro's closest advisers. Indeed, Raúl Castro, who heads the revolutionary armed forces and police, Antonio Núñez Jiménez, Director of the National Agrarian Reform Institute (INRA), and "Che" Guevara, President of the National Bank, are strong pro-Communists, if not actual Communists. All work closely with Communists and use their positions to facilitate Communist infiltration into most sectors of national life. They participate in Communist front activities, and aid the PSP by persecuting its opponents. They have furthered closer relations with the Bloc Others in the Council of Ministers are leftists, some with past or present Communist associations, including the Ministers of Foreign Affairs, Treasury, Labor, Education, and Public Works. President Dorticós, although only a figurehead, is likewise a leftist and a former PSP member.

18. *The National Agrarian Reform Institute.* The major instrument of the revolution is the INRA, whose actions affect all levels of Cuban population of six million. INRA has expanded from its original function of executing the agrarian reform program to the point of controlling a large part of agriculture as well as a considerable part of industry, trade, and investment. Most of the key officers of INRA are probably Communists or pro-Communists, as are others active in administering agrarian reform in the provinces.

^{*}Not included are the 13,000 members of the Juventud Socialista, youth wing of the PSP.

19. *The Military.*⁵ The armed forces, police, and investigative agencies have been thoroughly reorganized by the regime to strengthen its control over them. Under the direction of Raúl Castro since early 1959, the effectiveness of these services has been reduced by a purging of professionals, moderates, and anti-Communists, and by a series of high level defections. Furthermore, much of the army effort has been dissipated in nonmilitary activities, and the army's combat effectiveness is low, except for guerrilla-type operations. However, it remains the most effective force in Cuba for maintaining internal security and for insuring Castro's retention of control. The services are probably in the main loyal to the regime, but there has as yet been no test of how they would behave in the event of serious civil disorder. The Communists have infiltrated the military both at the officer and the rank-and-file levels, and play key roles in the military indoctrination programs, in intelligence and police organs, and among army personnel working with INRA in the provinces. Communist penetration is greatest in the army, where there is a significant number of high level Communist officers, including the Inspector General and the Director of Intelligence.

20. The regime has also established a "people's militia" made up of students, peasants, and urban and sugar workers, and numbering some 100,000 of both sexes. It is as yet only partially armed and for the most part poorly trained. At present, it could be expected to contribute to Castro's control of the urban areas in event of major disorders and to conduct harassing and sabotage operations against anti-Castro forces. It appears to have little, if any, effectiveness as an organized combat force in conventional operations, however. The establishment of the militia has caused considerable resentment in the regular forces.

⁵ The Cuban armed forces consist of an army of about 35,000, a national police of 7,000, and a navy of about 5,000. The strength of the air force has been reduced from about 1,200 to approximately 400 as a result of successive purges.

21. The Castro regime has purchased and received large quantities of military equipment and supplies mostly from Italy and Belgium.

[REDACTED] To date no Cuba-Bloc arms agreement is known to have been concluded.

[REDACTED] There are indications that Bloc manufactured aircraft may arrive soon.

22. *Other Areas of Government.* In its thorough revamping of the government structure, the Castro regime has also made the judicial and educational systems, the foreign service, welfare institutions, and even local governments conform to the revolution. Communists are in strategic positions and have had particular influence in the education ministry and at the various levels of public instruction. Although most university students at first supported Castro, the majority of the student body is probably anti-Communist and now disillusioned with him. However, the government-controlled University Student Federation, along with an aggressive Communist minority, is engaged in a campaign to force the students into submission.

23. *Propaganda Media.* With the recent seizure of the two major opposition newspapers, there remains in Cuba only one small independent newspaper and this one is intimidated by the regime. Nearly all radio stations are in fact government-run and the only remaining independent television network is expecting official intervention. Communists have heavily penetrated all propaganda media, and are disseminating a wealth of party materials drawing liberally on sources provided by the Sino-Soviet Bloc. Cuba's Latin American news agency, Agencia Prensa Latina, with official

and probably Bloc financial support, is the major press service in Cuba.

24. **Organized Labor.** Like the government, the leadership of the labor movement has undergone a systematic purging of moderates and anti-Communists. A protege of Raúl Castro is Minister of Labor, and his ministry now has the sole power to negotiate labor contracts and to hire and fire employees. The leadership in most federations vehemently protested against Raúl Castro's attempts in November 1959 to place Communists in the executive body of the national labor organization (CTC). However, the regime, with Fidel Castro's personal intervention, succeeded in installing several pro-Communists in key positions, and the CTC withdrew from the Western Hemisphere's non-Communist labor grouping (ORIT). The longstanding struggle between the Communists and non-Communists in the labor movement continues. Communists have the support of only a minority of the rank-and-file in organized labor. Moreover, organized labor probably feels that it has benefited less from the revolution than have the peasants and unorganized workers. The CTC is far from being a reliable tool and could cause trouble for Castro.

25. **Opposition.** In recent months there have been increasing signs of opposition within Cuba to the Castro regime mainly in reaction to the expansion of Communist influence, the dictatorial nature and methods of the regime, and assorted economic grievances. The regime and its Communist associates are experiencing considerable resistance to the consolidation of their control in the key fields of labor and student activities. Disillusionment with the regime has been spreading since mid-1959 within the middle and professional classes, which for the most part initially hailed the revolution. Many of Castro's early close associates in the 26th of July Movement have by now walked out or been jettisoned, and there are indications that significant numbers of the armed forces are increasingly restive over the radical course the revolution is now taking. Small scale guerrilla activity has reappeared in Oriente Province where Castro made

his start. A prominent Catholic Bishop, known for his sympathy for the initial aims of the revolution, has openly attacked Communist influence in the regime, while another important member of the Catholic hierarchy has attacked the dictatorial methods of the government.

26. Nevertheless, opposition does not as yet pose a serious threat to the regime. Except for the sizable business and propertied interests, most elements of the community have either derived some direct benefits from the regime's economic measures or been able to escape their worst effects. The ideal of a "new Cuba" still has a powerful appeal both for peasants and workers and for professional and other intellectual groups. With the old-line political parties discredited and many of the propertied class in flight, much of the anti-Castro activity has until recently come from adventurers and embittered Batista supporters, operating from the Dominican Republic and the US. Such activity is beneficial to the Castro regime in that it tends to identify all opposition with the generally detested Batista dictatorship. Moreover, the activities in the US of those closely associated with Batista lend plausibility to Castro's anti-American campaign.

27. The most important of the organized opposition groups appears to be the Movement for the Recovery of the Revolution (MRR), largely made up of former Castro supporters who feel that he has "stolen" the revolution and is opening up the way to Communist domination of Cuba. This organization claims to include some 1,000 men in Santiago and nuclei scattered throughout Cuba as well as an exile group in Florida. Also, one of the two or more guerrilla bands operating in Oriente Province is connected with the MRR. The Christian Democratic Movement (MDC), organized by a Catholic University professor in late 1959, is demoralized as a result of government repression. In sum, while opposition is growing, it is still relatively weak and disorganized. In particular, it thus far appears to lack a dynamic leader capable of bringing various groups together and of mak-

ing an effective challenge to Fidel Castro for popular support.²

B. The Economy

28. *The Present Situation.* Fidel Castro has drastically reorganized the Cuban economy. He has embarked upon a program designed to establish state control over much of the economy, to redistribute national income and wealth, and to reorient foreign economic relations. In the process he is destroying the former dominant position of the wealthy Cuban landholding class and of foreign, principally US, capital. He has further directed the economy away from the US by expanding economic relations with the Communist Bloc as well as with neutralist and other Western countries. State controls are administered chiefly through the Central Planning Board, which Fidel Castro personally heads, through Guevara's National Bank, whose wide powers have been increased especially in the control of foreign exchange and credit, and through INRA.

29. INRA is proceeding rapidly to expropriate large land holdings. Virtually all remaining sugar estates are scheduled to be expropriated after the 1960 harvest. In addition, it has made extensive use of its power to "intervene" (to control the management of) the operations of agricultural enterprises. INRA claims that its operations already affect more than half of Cuba's total farm area. While INRA has power to establish state-controlled industries as well as to intervene private industries, it has, to date, engaged principally in the latter. It has taken control of a large number

of enterprises, many of which had previously been forced to curtail or suspend operations as a result of government inspired labor disputes or other forms of interference. Reliable statistics on INRA's activities are not available, in part because of the informal and haphazard way in which INRA operates and the unrealistic values it puts upon seized property. However, as of May 1960, INRA reported that it was operating 120 formerly private companies, which it valued at \$250 million, and that it had established 1,392 production cooperatives (mostly sugar cane farm cooperatives) and 2,000 peoples' stores. INRA also engages in the production, purchase, distribution, and export of certain agricultural commodities as well as the import of supplies.

30. The regime's principal achievements to date, and probably its most easily attainable objectives, have been the enforced reduction of basic living costs and the expropriation of large properties for the benefit of workers and peasants. Higher wages and government-enforced cuts in the cost of housing and utilities have increased disposable income for urban workers. In part because the regime feared that the breaking up of large estates, especially sugar lands, would reduce efficiency, it has generally not distributed land to individual farmers as originally promised, but has transferred it to cooperatives. INRA has pumped large sums into housing, schools, roads, and other public services in the cooperatives, thereby raising the standard of living of the peasants affected. Although the government has not fulfilled the glowing promises it originally made to the peasants, the morale of the participants in cooperatives appears to be generally good. Serious discontent with the government's economic program is largely confined to the proprietary and professional sectors.

31. The economy, although going down hill in some sectors, has improved in others. Real national income has increased. Agricultural and industrial output has risen in some cases, and is generally at a high level. The 1959-1960 sugar crop was good and sugar sales

² Recently representatives of the MRR met outside Cuba with a number of other anti-Batista Cubans from the old-line Auténtico Party and the Christian Democratic and Montecristi movements. They set up a united opposition organization to be known as the Democratic Revolutionary Front (Frente Revolucionario Democrático-FRD). The FRD, whose membership is moderate in political outlook, is headed by Antonio Varona and has an executive committee composed of Justo Carrillo Hernandez, Manuel A. time, and Ignacio Rasco. FRD activity has not gone beyond the initial organization stage.

are up over recent years.^a The rise in the real income of the workers and peasants has resulted in greater consumer demand, especially in low-cost merchandise, and for the most part domestic retail business is good. Also, while the inexperience of government leaders has led to misallocation and waste of resources, this has been offset to some extent by a reduction of corruption.

32. The most serious deterioration in the economy is in the financial sector. Government revenues as well as expenditures reached new highs in 1959, but a portion of the record revenues were nonrecurrent items and it is probable that the 1960 budget deficit will exceed the \$115 million deficit of last year, which was financed chiefly by borrowing from the National Bank. Such deficit financing has contributed to an increase in money in circulation. The money supply has expanded by at least 20 percent since Castro's takeover, and the regime is planning extraordinary currency issues. In addition to larger regular budgetary expenditures, the autonomous credit agencies substantially increased their indebtedness, thereby contributing to the rise in the total public debt to \$1,529 million by the end of 1959, or close to 20 percent in the year.

33. Meanwhile, other sectors of the economy have suffered under Castro. Private investment has nearly halted as a result of increasing government controls, the revised income and profits tax structure, a high export tax on minerals, the gradual freezing of profits, and the constant threat of intervention or expropriation. Because of forced rent reductions, private construction has been greatly reduced. While the high rate of public investment may offset the drying up of private investment, it is an increasingly heavy drain on the government's resources. Unemployment, normally high in Cuba, has been reduced, but continues to be a serious problem. Increased consumer demand, coupled with severe import restrictions and a fall-off in

some lines of domestic production, has drastically cut back inventories and caused scarcities in imported consumer goods and some basic food products. At the same time higher wages and cuts in housing and utilities costs are being partially offset by a general price rise of about 15 percent in low cost consumer goods, despite some price controls. Wage earners are also being required to bear an increasing burden of taxes, union dues, and forced contributions to official funds, probably now totaling about 14 percent of wages.

34. The Castro regime inherited dangerously low foreign exchange reserves from the Batista dictatorship and in its first year these declined further as a result of a reduction in exports and in capital inflow, coupled with a drying up of the important tourist industry, which contributed about \$50 million to Cuba's foreign exchange earnings in 1958. The government's foreign exchange position has been further weakened by its considerable expenditures for armaments and for foreign propaganda, travel, and intrigues in Latin America. With earnings from high sugar exports still coming in, foreign exchange holdings have risen from a low of less than \$50 million to over \$150 million. However, this figure was achieved only through extensive import controls, sharp restrictions on the outflow of capital, and deferment of foreign commercial payments.

35. *Economic Prospects.* On the basis of continued heavy government investment and some increases in production, real national income for 1960 will probably surpass last year's total. Total exports will probably also increase this year and, depending on the amounts spent for arms and propaganda, may be sufficient to prevent a deficit in current transactions. In any event, the regime will make maximum use of the credits available from the USSR and others and will continue its practice of deferring its international payments. The government will encounter growing difficulty in keeping down strong inflationary pressures and worker discontent. The

^a Sugar production normally accounts for 30 percent of Cuba's national income and provides nearly 80 percent of the total value of exports.

prospective wage freeze will increase this discontent. However, popular belief that revolutionary promises are being fulfilled probably will enable the regime to enforce some austerity without serious loss of support.

36. The outlook for private investment remains poor. The ever-present threat of expropriation and the increasing degree of state direction of the economy will greatly discourage both domestic and foreign investment. Foreign firms operating in Cuba will continue to have serious difficulty in obtaining foreign exchange for the purchase of necessary imports of raw materials and supplies as well as for the repatriation of past and future earnings. Processors of imported raw materials for distribution in Cuba will be under continuing pressure to use and distribute commodities received from the Bloc and elsewhere under barter agreements, as has already happened in the case of oil refiners and fertilizer manufacturers. The threat of expropriation will hang over the heads of those wishing to refuse to obey Cuban demands.

37. A drastic US reduction in Cuba's sugar quota, which is now just over three million short tons, or the elimination of the price differential favoring Cuba (amounting to about \$125-150 million) would pose a serious threat to the country's economy. However, even if US enabling legislation were passed, such US sanctions against Cuba's sugar trade could not be fully implemented before 1961.

38. Either in response to US economic actions against Cuba, or to Cuban economic development or balance of payments difficulties, the Soviet Union would be likely to increase its economic support of Cuba. Such support could take the form of increased Bloc purchases of Cuban sugar, probably for barter but possibly for convertible exchange, Soviet credits against future sugar crops, additional credit for Soviet capital goods, and increased technical assistance.

C. Foreign Policy

39. Cuban foreign policy appears to be dominated by Castro's concept that he is engaged in a great crusade to liberate Cuba and the rest of Latin America from domination by the US and by indigenous reactionary elements. Castro has thus far refrained from drastic action which would threaten a complete rupture with the US and has made occasional moves toward temporary abatement of tensions. Nevertheless, he has directed an increasing barrage of vituperation against the US and has also attacked the OAS as well as a number of Latin American governments as instruments of US imperialism. Specific Castro targets have included alleged US colonialism in Puerto Rico, US subjugation of Panama, and economic exploitation of Latin America by US business interests. He has sought thereby to undermine Western Hemisphere solidarity, to reduce US influence in Latin America, and to replace unfriendly governments with ones more closely oriented to his own.

40. Although Cuba's foreign policy is officially one of neutralism—and has been marked by moves to cultivate the UAR, Indonesia, and others in the neutralist camp—Castro has meanwhile moved steadily closer to the Sino-Soviet Bloc.

Cuba has become a major center for Communist-line propaganda and organizational activities in Latin America, and the Castro government has worked closely with the Communist powers in carrying out its own activities in this field. The renewal of diplomatic relations with the USSR and Czechoslovakia in May 1960 followed a period of growing cultural, labor, and economic contacts marked by Cuban acceptance of substantial trade and credit arrangements with the Soviet Union, East Germany,

* Cuban relations with Czechoslovakia were never officially broken, but were allowed to lapse when Cuba-Soviet relations were broken in 1953.

Poland and Czechoslovakia.⁸ A large number of Soviet and other Bloc technicians and trade specialists are arriving in Cuba. Khrushchev has accepted an invitation to visit Cuba at an unspecified date.

41. Cuba has not officially recognized Communist China and has no formal commercial agreement with that country. Cuba has, however, sold some 130,000 tons of sugar to Communist China in 1960 and may be negotiating for the sale of 500,000 tons more. Cultural relations between the two countries have increased markedly and Chou En-lai may have been invited to visit Cuba. Communist China's news agency maintains a large branch in Havana and a Chinese language newspaper is published there. A Communist China-Cuban friendship society was established there recently. Moreover, a Communist front organization oriented toward the comparatively large and wealthy Chinese community in Havana has been established with the dual objective of furthering the interests of the Chinese People's Republic and the Cuban revolution.

42. Fidel Castro's Latin American policy has not only sought to enlist official sympathy and support for Cuba and for such projects as the proposed conference of underdeveloped countries, but has also attempted to spread the revolution. Although the regime's initial interest in sponsoring guerrilla invasions of other Central American and Caribbean coun-

tries has subsided somewhat—probably as a result of growing recognition of the difficulties of carrying out such operations successfully without undue risk—the effort to export the revolution by other means has intensified. Working in cooperation with Communist and other radical elements and exile groups who have flocked to Havana, the Castro regime has organized a wide variety of cultural delegations, Cuba friendship societies, and similar mechanisms for spreading the Cuban story and stirring up opposition elements within other Latin American countries. In many cases Cuban diplomats, a number of whom have connections with the PSP and Communist fronts, have themselves taken an active role in such propaganda and agitation.

43. Cuban-sponsored or supported international conferences of various front groups have served as forums for spreading Cuban (and Communist) propaganda in favor of Castro and against the US and other targets. A key supporting element in these activities has been the Cuban news service Agencia Prensa Latina, with offices in all but a few Latin American countries, in Europe, the Middle East, and the Bloc, and with a constantly expanding service. Agencia Prensa Latina distributes considerable material supplied through Bloc news agencies as well as its own.

44. These activities have had some effect in popularizing Castro among the Latin American masses as a symbol of radical reform and of successful defiance of the US; a vocal pro-Castro minority exists in most countries. These elements are not strong enough in themselves to represent a significant political force, but in Venezuela and to a lesser extent in Bolivia, there are important non-Communist groups attempting to use existing pro-Castro sentiment for their own ends. Meanwhile, Castro's extremist policies, at home and abroad, have alienated many of the moderates in other Latin American countries who initially welcomed his overthrow of the Batista regime.

45. Virtually every Latin American government now opposes Castro in greater or lesser degree. Anti-Castro feeling and fear of his type of revolution are particularly strong

among ruling groups in the Caribbean-Central American area, where blatant Cuban subversive activities have been directed not only against the old-line dictatorship of the Dominican Republic but against most of the other governments as well. Guatemala recently broke diplomatic relations with Cuba; Costa Rica, El Salvador and Honduras are considering similar action. Nicaragua has withdrawn its diplomatic representation from Cuba and has requested Cuba to take corresponding action. President Betancourt of Venezuela and other moderate democratic leaders have become increasingly concerned about Fidel Castro's dictatorial methods and his sympathy for the Communists.

46. Even among those not directly threatened by the Castro regime's subversive activities or those reluctant to pass judgment on his internal policies, there has been growing a feeling that the regime's contemptuous attitude toward the Organization of American States (OAS) and its flagrant violation of the doctrine of nonintervention—coming on top of its vehement anti-US posture—pose a serious danger to the inter-American system. Thus far, however, there has been great reluctance to take concerted action against Castro for fear of undermining the concepts of national sovereignty and noninterference in the internal affairs of other countries. Few governments presently feel that there is sufficient evidence of Communist domination of Cuba to justify action under the Caracas resolution.^{*} Venezuela and Colombia favor concerted action to curb Castro but only after the Trujillo dictatorship has been subjected to similar treatment.

D. The Outlook

47. *The Regime and the Opposition.* Fidel Castro will almost certainly remain in power through 1960, unless he becomes incapacitated to such an extent as to be unable to exercise

personal leadership. Castro still has a very substantial reservoir of popular support, and the regime's police state methods will probably be able to keep opposition elements off balance. As indicated above, we foresee no critical weakening of the economic situation before the end of the year.

48. Should Fidel Castro depart the scene, a crisis probably would develop in a short time. Although Raúl Castro, whom the Prime Minister continues to designate as his successor, and "Che" Guevara would probably seek to carry on in his stead, disaffected elements would almost certainly seize upon the situation to make their bid for power, and there is a better than even chance that the country would be thrown into a period of widespread disorders and bloodshed.

49. After six months or so, the regime is likely to face increasing problems. By 1961, inflation and the regime's failure to fulfill exaggerated popular expectations of economic betterment will probably accelerate the erosion of popular support which has already taken place in some provincial areas. Discontent with the increasingly dictatorial nature of the regime will almost certainly continue to grow within organized labor and student and professional circles, especially if encouraged by the Church and by liberal elements in other Latin American countries. Although Fidel Castro will take every opportunity to depict the opposition as made up of adventurers, venal Batista supporters, and other reactionaries, the growing number of his original supporters who have turned against him will make this argument increasingly ineffective.

50. Even if Fidel Castro's base of popular support narrows, the regime will continue to have great advantages over any developing opposition so long as it controls the instruments of economic and military power, together with the radio and press, labor organizations, and the like. However, if serious and widespread public disorders were to develop, the reliability of the military and the "people's militia" would be questionable, despite the efforts made thus far to place dependable men in key positions and to indoctrinate the rank-and-file.

^{*}At the 10th Inter-American Conference in 1954, the American States defined "domination or control of... any American state by the International Communist movement" as a threat to the hemisphere which would justify the calling of a meeting of consultation to consider the adoption of appropriate action in accordance with existing treaties.

51. *The Communist Role.* So long as Fidel Castro and his associates remain in power, the Communists and their sympathizers will almost certainly continue to play a major role in formulation and execution of government policy—meanwhile enjoying further opportunities to extend their own influence both in and out of the government. The possibility cannot be excluded that Castro will try to put brakes on the growth of Communist power in Cuba or that he will attempt to assume a more neutral position. However, we believe it extremely unlikely during the next six months that he will seek to rid himself of his Communist and pro-Communist associates, especially in view of the usefulness to him of their skills and organizing ability. Indeed, the outlook is for increased dependence on them and a continuance of a situation in which they make many decisions and take many actions without consulting him. If this trend continues, the Communists will gain de facto control of the Castro regime, and are ¹⁰ near this point now.

52. For the next six months or so, however, it appears unlikely that the Communists will have the desire to make a bid for power on their own or the necessary strength to maintain it. Despite their important gains in the last year and a half, the Communists still lack any broad support among the Cuban people and continue to depend on Fidel Castro to provide an atmosphere in which they can thrive. Moreover, they probably will continue to believe that a bid for open recognition or an attempt to seize power at this stage is both unnecessary and dangerous, that Castro can be counted on to support the kind of policies they advocate, and that an attempt to assert their own leadership would only expose them to adverse reactions both from Castro and others in Cuba and throughout the hemisphere. For these reasons we believe that they will avoid moves which would place Cuba demonstrably under the domination or control of the international Communist movement within the meaning of the Caracas resolution.

¹⁰ The Director of Intelligence and Research, Department of State would substitute "may be" for "are."

53. *Foreign Relations.* We foresee no significant change in the present pattern of Cuban foreign policy over the next six months or so. Fidel Castro will almost certainly continue his bitter and vociferous hostility against the US, and accuse both the US Government and US business interests of attempts to destroy the Cuban revolution. He will almost certainly continue to engage in harassment of the base at Guantanamo. Through a series of actions and reactions, this anti-US campaign might come to involve a demand for US withdrawal from Guantanamo, a rupture of diplomatic relations, or danger to the lives of American citizens in Cuba.

54. Castro will probably continue his extensive propaganda and proselytizing activities in Latin America, resorting once again to sponsoring armed intervention in the event of the fall of the Trujillo regime or other favorable opportunities. Although Fidel Castro will probably continue his efforts to develop ties with other underdeveloped countries and to promote a "third force"—a visit by Tito may take place in the fall—Cuba will probably become increasingly isolated and suspect vis-à-vis the other Latin American and most African and Asian governments.

55. Cuban ties with the Bloc will almost certainly be strengthened. As Bloc economic programs go into effect over the months ahead, the Bloc presence in Cuba will grow. Recognition of additional Bloc governments, including that of Communist China, is likely to take place. Cuba is likely to support the seating of Communist China in the UN this fall. Although both Fidel Castro and the Kremlin will probably seek to avoid a situation in which Cuba gave the appearance of being a Communist satellite, Castro's receptivity to Bloc advice and his interest in Bloc support seems likely to grow.

56. For their part, the Communist leaders of the USSR and the Bloc will probably do their best to prolong the present state of affairs, which not only provides the Communists themselves with an important base from which to exert influence in Latin America but also enables them to say that they are only helping the forces of Cuban nationalism in their

struggle against imperialism and reaction. The Bloc will almost certainly continue economic aid to Cuba and would probably increase the level of aid in the event that US action, governmental or private, threatened to affect adversely the Cuban economy. Especially if East-West tensions become more

acute, the Soviet leaders may make greater efforts to play up Cuba as a source of irritation and embarrassment to the US. However, we continue to believe that they will wish to avoid actions by themselves or by Fidel Castro which would provide a plausible basis for overt US-OAS action against Castro.